

HOUSE BILL 1281

By Hill T

AN ACT to amend Tennessee Code Annotated, Title 7,
Chapter 82, Part 7 and Section 65-4-101, relative
to private purchase of a utility district.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 7, Chapter 82, Part 7, is amended by
adding the following new section:

(a) The utility management review board may take action to authorize the
voluntary sale of all or part of the assets of a utility district to a public utility, as defined in
§ 65-4-101, if the governing body of the utility district has first determined by a majority
vote that the sale is in the best interest of the public being served by the utility district.

(b) If the utility management review board authorizes the sale of all or part of the
assets of a utility district as set forth in subsection (a), then the board, in coordination
with the governing body of the utility district, may negotiate the terms of the sale to the
purchasing party. Any terms negotiated pursuant to this subsection (b) must comply
with subsection (d).

(c) Upon conclusion of good faith negotiations that result in an agreement for the
sale of a utility district under this section, the utility management review board shall issue
an order approving the contract for sale and permitting the governing body of the utility
district to execute the contract.

(d) The terms of any contract executed pursuant to this section must include, at
a minimum, the following:

(1) A provision that the acquiring entity shall pay for all costs of
acquisition, which must be included in the rate base; and

(2) A provision specifying how the proceeds of the sale will be distributed. Any remaining proceeds must be distributed by the governing body of the utility district to the county or municipality where the assets of the utility district are located. In those instances where the assets being acquired are located in more than one (1) county or municipality, the proceeds of the sale must be distributed on a pro rata basis determined by the percentage of the assets that are in each political subdivision.

(e) The Tennessee public utility commission and the comptroller of the treasury shall approve the contract for sale prior to the closing of the sale. The approval or disapproval must take place within ninety (90) days of the contract having been submitted.

(f) Upon execution of a contract for sale of all or part of the assets of a utility district under this section and assumption of the control and operation of the assets by the purchasing party, the assets are deemed to be part of a public utility, as defined in § 65-4-101, and subject to regulation by the Tennessee public utility commission.

SECTION 2. Tennessee Code Annotated, Section 65-4-101(6), is amended by adding the following as a new subdivision:

(D) "Public utility" includes those portions of a utility district that are sold to a private party in accordance with an order of the utility management review board issued under Section 1 of this act;

SECTION 3. This act shall take effect upon becoming a law, the public welfare requiring it.